1987 Annual Report

Workers' Compensation Board of Nova Scotia

A Case of Better Service

TO HIS HONOUR

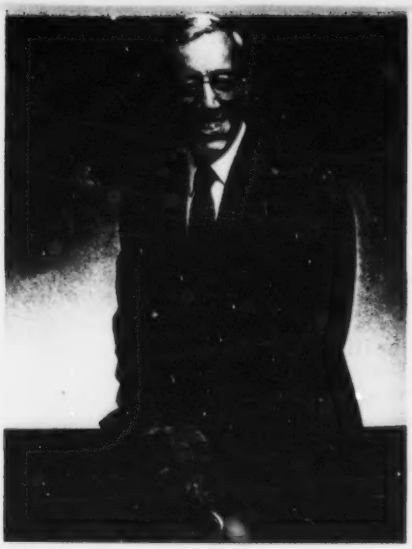
The Honourable Alan R. Abraham, CD
Lieutenant-Governor of the Province of
Nova Scotia

May it please your Honour:

I have the honour to submit herewith the Report of the Workers' Compensation Board of Nova Scotia for the year ended December 31, 1987.

Respectfully submitted,

Terence R. Donahoe, Q.C.
Minister of Labour



CHAIRMAN'S MESSAGE

I am very pleased to report 1987 reflected continued improvement in the level of service provided by the Workers' Compensation Board of Nova Scotia to our employee and employer clients.

Inherent in this evolvement has been recognition of the tremendous potential for sound cost effective program development in Rehabilitation Services. The Nova Scotia Board has vigorously pursued a course of action to exploit the myriad of opportunities presented by the emergence of this facet of compensation to the benefit of our clients.

Significant re-organization of our Finance and Assessment Divisions has resulted in more equitable rate setting procedures and substantive improvements in our overall financial performance.

We have started major initiatives in Management Information Services to transform vast quantities of data into usable information to provide effective decision making tools.

The application of innovative new procedures in claim's management processes has resulted in achievements in the specific areas of consistency in claims adjudication, claim turn around and notable progression in the level of service provided to clients.

Our commitment to enhance human resource development, increase training opportunities and the recognition of individual achievement continue to ensure our clients of a capable and professional staff dedicated to meeting the challenges of providing a high degree of effective, efficient, and economic compensation services.

The continued implementation of aggressive information programs designed to improve communications and provide an effective exchange between the Workers' Compensation Board and its stakeholders has resulted in a better overall understanding of our goals, our limitations and the expectations of our clients.

1987 was a year in which our Management Team built on the wholesale transformation of the administrative structure of the Board started in 1986.

Our management philosophy continues to reflect the fundamental principles of compensation enshrined in the Workers' Compensation Act of Nova Scotia with the rationalization of providing effective compensation, medical and rehabilitation services in an ever changing and complex work environment.

During the past year the Management Team set major short and long term goals and objectives designed specifically to improve our service.

1988 will see the continuation of the progress we have made in 1987, we look forward to accepting the challenges the next year will bring with the foreknowledge we have in place the staff, the management, the commitment and the ability to meet and better those challenges.

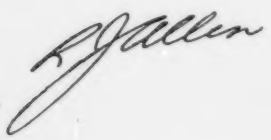
Our goals and objectives for the remaining 80's and into the 90's are reflected in our Mission Statement.

"The Workers' Compensation Board of Nova Scotia administers the Workers' Compensation Act of Nova Scotia providing financial services, vocational rehabilitation services and medical benefits on behalf of employers to workers and/or dependents in a mutual accident insurance program.

We continually strive to be a dynamic, responsive, sensitive organization with a staff functioning in an atmosphere of mutual trust and confidence. We aim to administer the Act objectively and efficiently, manage our funds responsibly while providing a high level of service to our clients."

I am pleased to present this report to the Minister of Labour and the Government of Nova Scotia for your perusal and consideration.

Respectfully submitted,



R. J. Allen
Chairman & General Manager
Workers' Compensation Board of Nova Scotia

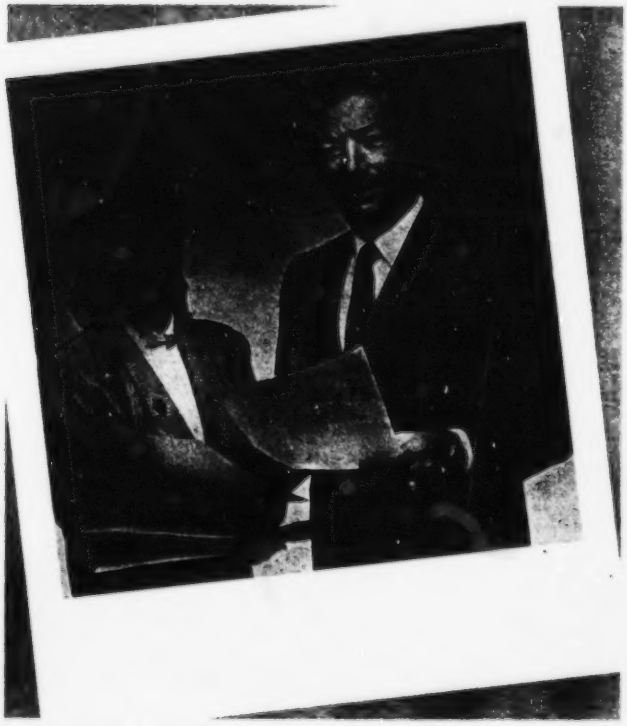
A Focus on Re-employment

Vocational Rehabilitation Services

The primary goal of the Vocational Rehabilitation Services Division is to develop and implement effective policies and procedures to aid in returning injured workers to suitable employment.

Inherent in any rehabilitation effort is the recognition the most cost effective procedure is the return of the injured worker to the same employer and the same job followed in logical progression by a return to the same employer with an alternate job and to an alternate employer with an different job.

Key to the success of any rehabilitation measure are two important principles:



From left to right:

Nancy Lyons
Vocational Rehabilitation Counsellor

Charles Hipson
Director Vocational Rehabilitation Services

— early referral from claims to rehab
— early reactivation of the client to the workplace

During 1987 Vocational Rehabilitation Services worked closely with the Claims Division to begin the process of establishing clear and concise criteria for the referral of claim's clients to Voc Rehab.

The individual needs of clients creates a demand for a broad range of complex training support mechanisms to expedite an early return to the work place.

Experience clearly indicates the most effective and cost efficient means of providing training opportunities exists where such training takes place in a actual work environment and we strive to exploit those opportunities.

The next most cost efficient measure lies in the area of vocational training followed by more formalized academic upgrading and skill development.

The training process must be rationalized with the ability of the work place to produce realistic training and job opportunities for clients whose abilities are often limited as a result of the injury they sustained in their pre-injury employment.

This situation is made even more complex by the fact the most severe injuries often occur in labour intensive areas of the work place at a time when the available levels of skilled labour are at a maximum and actual job opportunities are at a premium.

Once we have rationalized training costs against market demand the challenge to Vocational Rehabilitation Services is to develop programming which anticipates skill requirements, matches training opportunities to meet those needs and to then effectively market our clients abilities.
In an effort to meet this particular challenge, Voc Rehab developed and implemented a specific program designed to meet the challenges of marketing our clients abilities in the work place.

The Employer's Incentive Program (E.I.P.) provides employers with financial incentives to create training and job opportunities. Additionally the E.I.P. program provides a broad base of employer and employee support services to further enhance the goal of attaining full time employment for the injured worker.

Comp Facts

E.I.P. implemented

543 Referrals

84 clients in training/upgrading

73 clients returned to work

The philosophical difference of this program from similar programs, which exist in other jurisdictions, lies in the fact the E.I.P. first seeks the job opportunity, then attempts to match training with the skill requirements identified by the actual available job.

The E.I.P. was put in place in October of 1987 and will run as a pilot project until October of 1988. The program has been supported by the largest information and advertising program ever undertaken in the history of the Nova Scotia Workers' Compensation Board.

Three Employment Counsellors, two located in Halifax and one located in our regional office in Sydney have been hired on a contractual basis to implement this program. Early indications point to a major success not only in terms of identifying job opportunities but also in terms of job placement and in the provision of cost effective training opportunities.

During 1987 the Voc Rehab division received 543 new referrals; placed 84 clients in re-training and upgrading courses; and, returned 73 clients to the work force in positions suitable to their abilities.

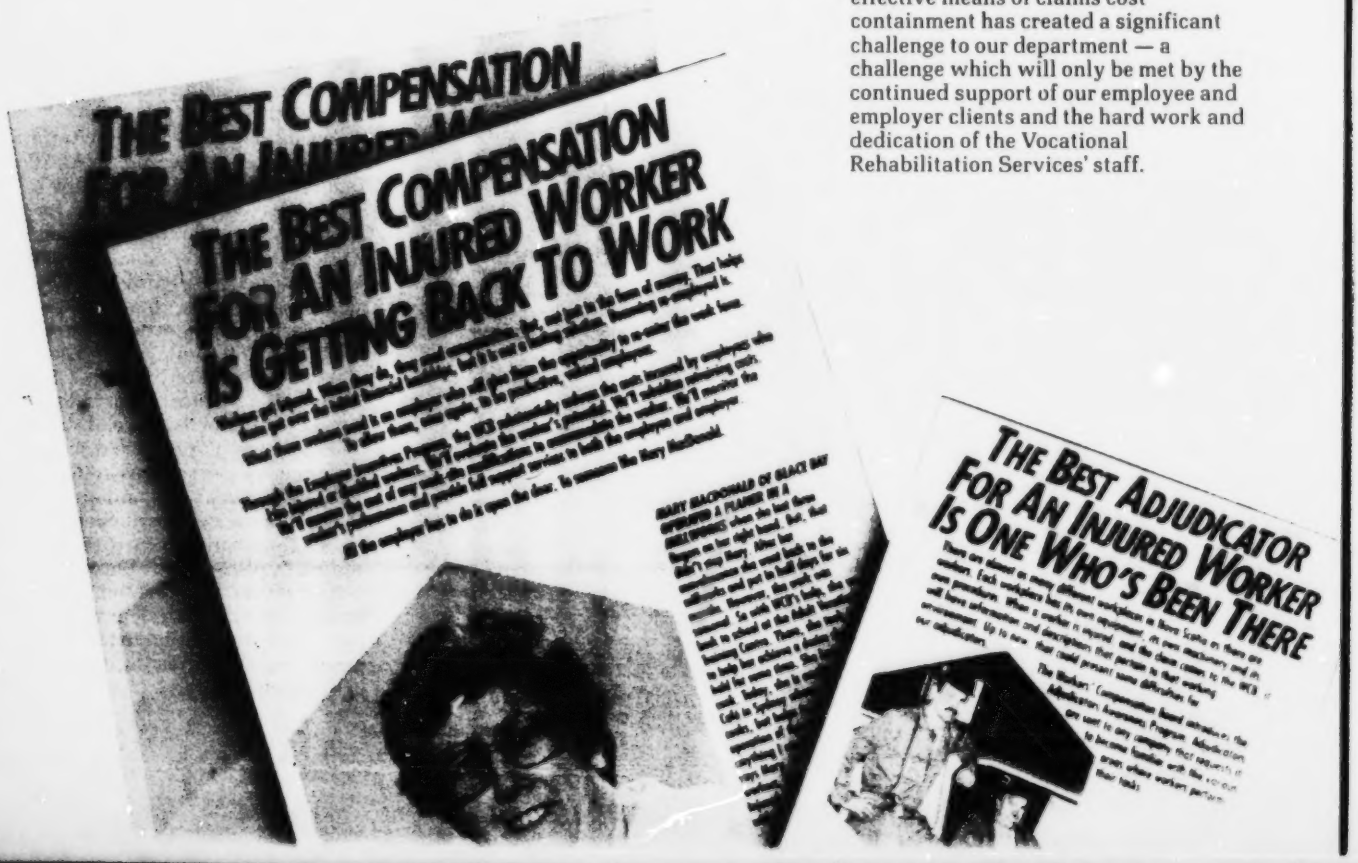
By the end of December, 255 cases have been closed; 123 clients were undergoing active medical treatment; and, 53 clients were involved in active job search programs.

Throughout the year Vocational Rehabilitation Services' staff participated in a variety of training and development seminars to improve their overall abilities and to keep pace with changing methodology in the delivery of rehabilitation services.

1988 will mark a period of significant administrative change in Vocational Rehabilitation Services. Preliminary planning conducted in 1987 will result in the beginning of the process of developing a Policy and Procedural Manual for the division.

The system upgrade undertaken by Management Information Services combined with the adaptation in 1987 of Personal Computers to Voc Rehab will provide the division with the ability to automate a case management system, effectively monitor rehab costs and provide staff with the ability to analyze statistical information to assess overall program performance.

The emergence of the recognition of the potential value of efficient rehabilitation programming as an effective means of claims cost containment has created a significant challenge to our department — a challenge which will only be met by the continued support of our employee and employer clients and the hard work and dedication of the Vocational Rehabilitation Services' staff.


THE BEST COMPENSATION
FOR AN INJURED WORKER
IS GETTING BACK TO WORK
THE BEST ADJUDICATOR
FOR AN INJURED WORKER
IS ONE WHO'S BEEN THERE

TOWARDS OBJECTIVE ADJUDICATION

CLAIMS

During 1987 the Claims Division implemented a series of program and procedural changes designed to improve the level of service we provide to our clients by specifically enhancing our ability to adjudicate and administer claims.

Management created and implemented an Adjudicator Awareness Program (A.A.P.) to expose Claims Adjudicators to actual working conditions in a variety of primary and secondary industries.

From left to right:

Jerry Langille
Director of Claims

Dr. T. E. Dobson
Director of
Medical Services

The A.A.P. had a reciprocal positive affect; employers often requested a tour of the Board to see first hand the processes a claim file goes through from notification of the accident to final adjudication.

Quality control procedures and improved service in the claims management process are of prime importance in ensuring equity of claims processing and consistency of claims adjudication. The Board, to meet these challenges, created an Adjudication Committee with specific responsibility for the random examination of claims to assure claims are being administered fairly and effectively.

This is the initial step in the development of an Adjudication Operating Procedural Manual, an important management tool in the development of procedures to ensure fair, consistent and objective claims adjudication.

The second level of internal appeal is to the Review Committee. During 1987 this committee was re-organized to improve the efficiency and productivity of the Committee while concurrently enhancing the objectivity of the appeal process.

The Management Team of the Claims Division recognizes the importance of improving the level of communications between the Board and our clients. Brochures, printed material and forms were redesigned to simplify and expedite the claims process.

During 1987 the Division initiated the process of combining the Employers Report of Accident form and the Employees Report of Accident form. This new form will be introduced in 1988 to enhance the expediency at which claims are administered by removing the possibility of potential delay in the receipt of reports from employers and employees.

WCB representatives met with the Nova Scotia Medical Society to seek their input in the redesign of the Doctor's Report of Accident form. Significant progress was made. The WCB plans to develop and implement changes to the system during 1988.

An Application for Attendance form and an Application for Supplementary Benefits form were created. These documents establish clear criteria and procedures to be followed and remove possible confusion in the determination of client eligibility.

Comp Facts

New claims filed	29,307
Total claims processed	38,491
Compensation expense	$23,877,333
Medical aid expense	$13,865,130
Pensions paid	$16,574,660

Division staff conducted an extensive Work Flow Study of existing claims processing procedures with the definitive goal of improving methods of claims adjudication, removing redundancies and raising the level of service provided to WCB clients.

The Claims Division receives, on average, between 500-600 telephone enquiries daily from clients requesting information related to their claim files. During 1987 the Board created an Information Centre within Claims to handle enquiries in a more efficient and effective manner.

We will continue to make improvements to the level of service provided by the Information Centre in 1988 with the addition of new technology specifically designed to improve the number of calls which can be handled and reduce the number of busy signals.

The Board has identified the need for staff development and training within the Claims Division. Management has initiated a co-ordinated approach to training to provide staff with opportunities to improve their existing skills and develop new expertise.

In summary, during 1987 every existing procedure and program within Claims was reviewed, and where necessary, modified with the primary goal of improving the level of service we provide to all of our clients while maintaining a high degree of objectivity and consistency in the claims adjudication process.

MEDICAL SERVICES

The staff of the Medical Services Division consists of four physicians, three located in Halifax and one located in the WCB regional office in Sydney, with appropriate administrative support services.

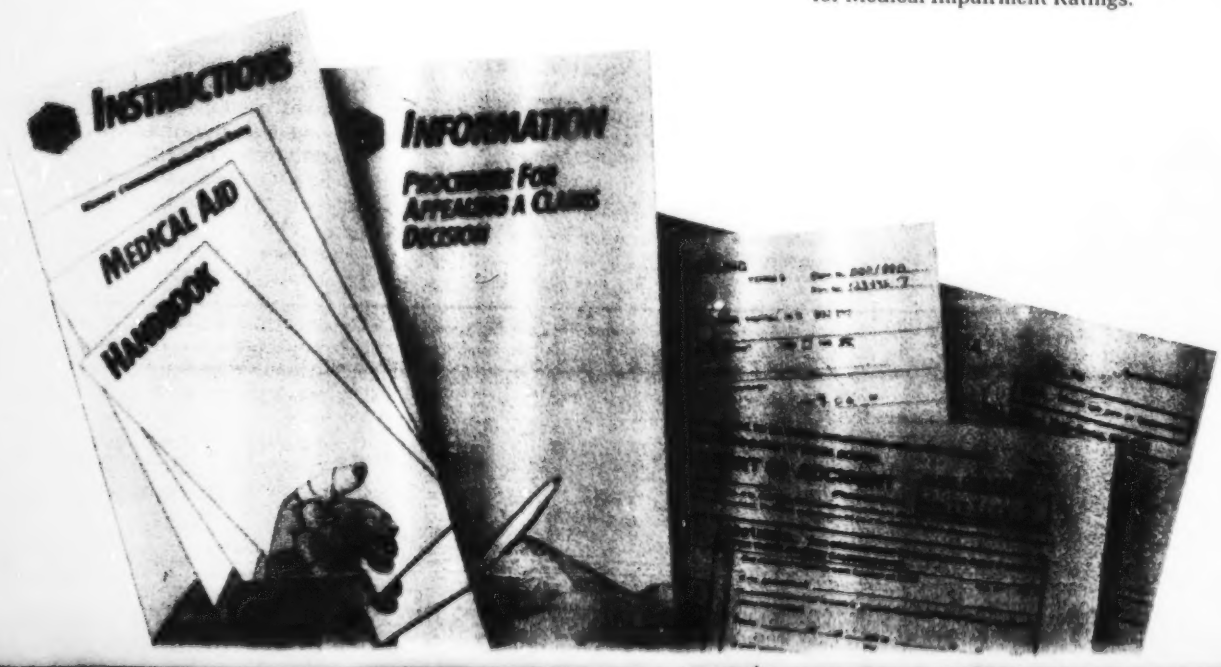
The Medical Services Division functions in three specific areas:

- acts as advisors to Claims Adjudicators regarding the medical aspects of a claim
- conducts the physical examination of clients to determine the ability to return to work and provides medical input in the assessment of permanent medical impairment
- advisors to the Medical Aid division

During 1987 approximately 1600 files required a documented entry from the Medical Division each month, this represents approximately one-quarter of the total number of files reviewed each month by Medical Services.

The Board continues to recognize and emphasize the need for continuing medical education in the field of occupational and compensation medicine. Board physicians attended a number of conferences in 1987 dealing with current subjects in occupational medicine including ergonomics; the treatment of pain; stress; and, heart and lung disease in firefighters.

During 1988 Medical Services will review and publish updated Guidelines for Medical Impairment Ratings.



IMPROVED FINANCIAL MANAGEMENT

FINANCE

The Finance Division is responsible for the financial administration of the Workers' Compensation Board, the provision of proper accounting procedures and controls, ensuring an adequate cash flow for day to day operations, and the production of financial and management information.

Finance underwent several organizational changes during 1987 and initiated a number of major projects during the year.

From left to right:

R. L. Shedden, C.A.
Director of Finance

Malcolm J. MacNeil
Director, Assessment & Collection

Among the more significant changes was the introduction of micro computers to assist in the accounting and controlling of the Board's funds. Functions such as the general ledger and the administrative expense control system were successfully transferred to micro computers. In addition, numerous financial and management reporting sub-systems were computerized.

The format and disclosure of financial information in the Annual Report underwent significant change during 1987. Adjustments were made to make financial statements more closely comply with generally accepted accounting principles and disclosure requirements. The modified format simplified the presentation and provided more information for the reader.

1987 saw the development of a new approach to rate setting. Concurrent with the introduction of the new rating system on January 1, 1987, the Finance Division began a review and evaluation of the Board's rate setting process to relate assessment rates to more current experience.

Further enhancements and refinements to the rate setting process, with the goal of ensuring fairness and equity in the determination of assessments and the lowest possible rate, are planned for 1988.

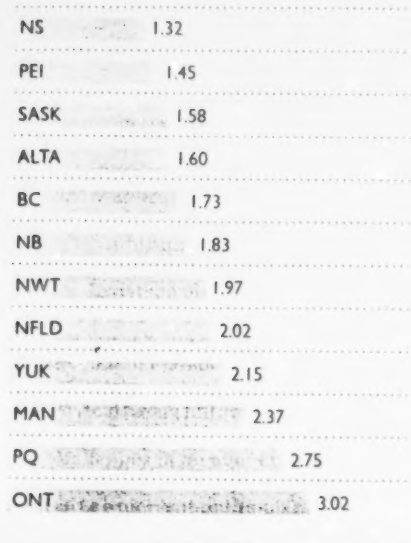
One of the more important activities of Finance is the administration of a large investment portfolio. During 1987 studies were conducted resulting in a recommendation to the Board for the use of professional investment managers to assist in the managing and administration of the Board's portfolio.

Consequently, the Board has engaged the services of several investment managers to administer our long term investment portfolio. The anticipated returns and increased cash flow should have a positive affect on the funding requirements of the Board.

Finance developed a new budgeting system during 1987 to control administrative expense, to promote harmony between individual departmental objectives and overall corporate objectives and to eliminate inconsistencies and incompatibilities in operating areas.

An Internal Auditor was appointed during 1987 to provide an independent review of corporate operations, to

Average Assessment Rate



encourage greater controls over activities and to monitor corporate systems. The Internal Auditor reports directly to the General Manager however there is a close working relationship between Finance and the Internal Auditor specifically regarding procedures training and systems development.

During 1988, the Finance Division will continue its review and evaluation of financial procedures and controls to ensure systems which promote efficiency and accuracy of operation.

Future plans include refinements to the corporate cash management system to ensure maximum return on investment; further computer applications to promote efficiencies in our operations and provide internal and external users with timely and accurate information; and, computer applications will be extended to the areas of administrative expense and accounts payable as well as the Board's payroll.

In summary, 1987 was a year of identification and change, 1988 will be a year of improvements and refinement of financial operations of the Board to ensure a high level of service to the workers and employers of Nova Scotia.

Assessment & Collections Department

The main function of the Department is to assess and collect the annual remittance from industries under the scope of our Act. Any employer who establishes a business with three or more employees to which the legislation applies, must notify the Board and submit a payroll statement.

For the purposes of assessment, industries within the collective liability system are divided into groups according to the type of business, or end product involved and are then assigned a rate. With over fifteen thousand firms registered, our office and field staff provide services in an efficient and professional manner.

Each year, by the end of February, employers file a payroll statement indicating the actual wages paid during the preceding year along with an estimate for the current year. Assessments are determined on the estimated payroll with adjustment, if any, when the actual payroll is received the following year.

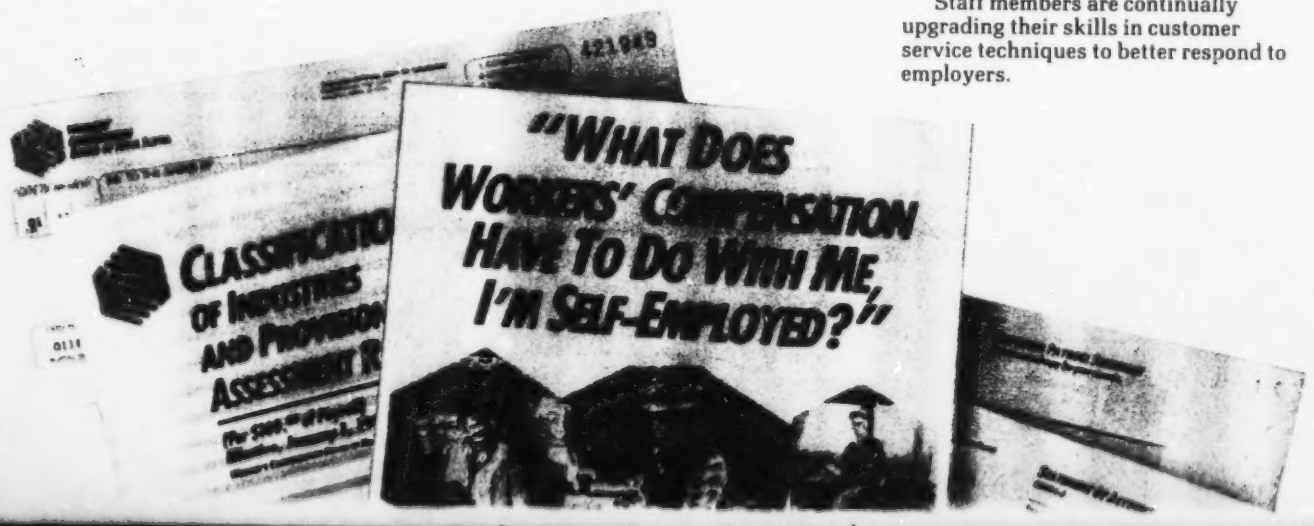
On the basis of payroll returns the Department assesses and collects from employers sufficient funds to pay for accidents happening during the current year. Funds must also be provided to reserves for the payment of pensions, estimate of unsettled claims, expenses for administration, accident prevention costs and the day to day operation of the Board.

In 1987 a further fine tuning of the employer classification system was continued to more accurately represent industries by activities.

5,987 audits were carried out by our Field Representatives throughout the province. 2,193 new accounts were opened and presented with an information package on the W.C.B.

During the year, 1,396 status letters from lawyers were received and answered. 4,765 clearance letters were issued to contractors stating that a sub-contractor's account was in good standing and the principal had been cleared of his liability to the date noted. Judgements levied on delinquent accounts totalled 321 for the year.

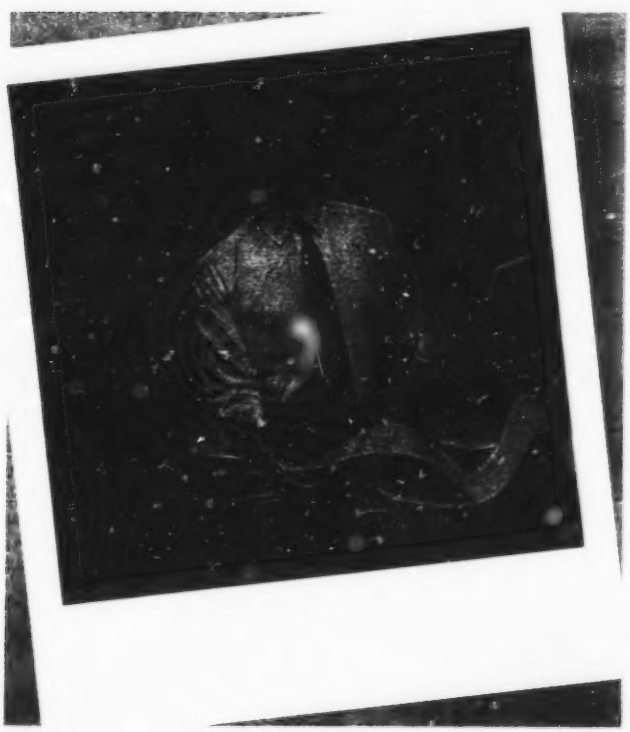
Staff members are continually upgrading their skills in customer service techniques to better respond to employers.



MANAGING PEOPLE AND INFORMATION

MANAGEMENT INFORMATION SERVICES

During 1987 fundamental changes were made in the organizational structure and mandate of the Board's Data Processing organization. In April of 1987 the Management Information Services Division was formed. Its predecessor, the Data Processing Department, was incorporated within this new organization at the same time.



From left to right:

Sandra White
Computer Operator

Paul Kent
Director Management
Information Services

The MIS Division is charged with the responsibility of supporting our corporate goals by ensuring management has access to current and accurate information reflecting the nature and result of the services we provide. The MIS is to provide foundation systems to collect and manage information as a vital resource in order to support our corporate key result areas.

The MIS is responsible for:

- system technology and planning
- ongoing liaison and support to the user community
- system construction and implementation; and
- post-implementation systems operation and support.

During 1987 the Board's management team adopted specific strategies designed to support the growth of corporate information systems as follows:

- top down planning to ensure MIS is moving consistently toward a targeted technological environment
- periodic reviews of emerging technological and system capabilities in relation to information needs; and,
- disciplined approaches to systems construction ensuring cost effective commitment of resources and senior management review of progress against the plan.

A significant accomplishment of the past year was the initiation of a major project to assess the value of the Board's current computer systems in light of our new appreciation for the impact information has on the success of our business.

A study was initiated in October which will deliver a long range systems plan that will act as a blueprint to meet the demands for growth and enhancement of current and future systems.

Future efforts with regards to technology will be directed towards an architected approach to systems management that complements all the Board's hardware, software and communications standards and services.

During the transition towards a more responsive Management Information System particular emphasis will be directed to the development of an educated, professional and credible staff team who are encouraged to exploit the full potential of the systems they use.

1987 was a year of formation for MIS. It was also a year of significant accomplishment. The staff team of the MIS stands ready to support, in a tangible and measurable way, the activities of the Board during 1988 so that our corporate goals with respect to service, staff, information and financial accountability can be realized.

ADMINISTRATION

Administration has responsibility for Human Resources, the management of the regional office in Sydney, office supplies, administrative services and building maintenance.

The Board has begun the process of integrating in-house and external training programs designed specifically to meet the demands of changing human resource requirements to promote a cost effective means of broadening the abilities of our employee base to meet the challenges of an ever changing technological work environment.

During 1987 more than 50% of the Board's staff attended a total of 64 courses and seminars — the Board recognizes the on-going need to continue to upgrade the abilities of our staff with the overall goal of providing a high level of service to our clients.

The appraisal system put in place by the Board in 1986 to evaluate employee performance and potential has greatly assisted management in job performance evaluation and in providing the management team with a substantive tool for the early recognition of employee potential.

During 1987 Administration began the process of developing new payroll record storage and processing procedures in line with the adaptation of microcomputers to our human resource administrative procedures.

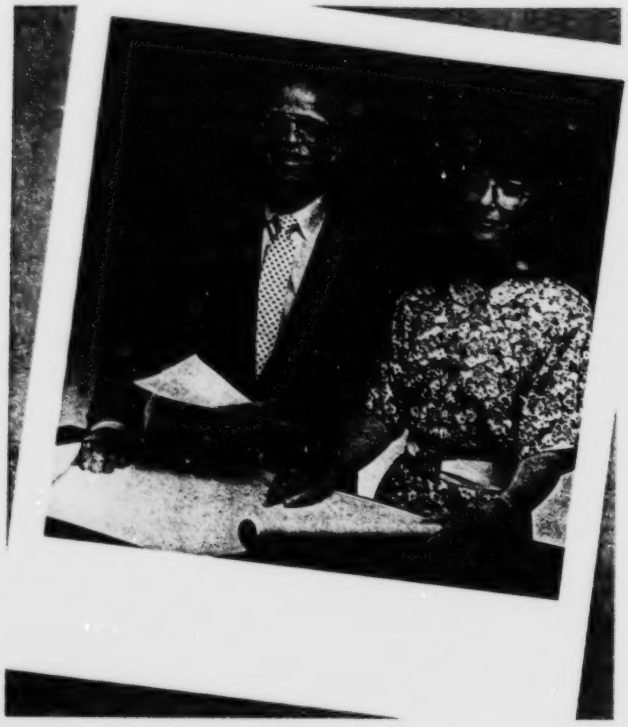
During 1987 the Board modified mail room procedures to accelerate the flow of correspondence to assist the claims department in the assembling of client files and in the payment of benefits to WCB clients.

The Administration department provides support services to other departments within the Board in the area of ergonomics, work site maintenance, building security, safety procedures, the provision of office supplies and in the assessment and procurement of capital purchase requirements.

During 1987 the WCB adopted a new direct line access telephone system which has resulted in a broader range of numbers being published for use by the public, cost efficiencies for the Board and improved communication links between internal staff and our external client.

The WCB continues to strive to enhance the services available to compensation clients in our regional office located in Sydney. During 1987 an additional administrative employee was added to the staff, an improved computer link was established between head office and the regional office, the courier service was modified to ensure prompt and efficient distribution of pension payments and rehabilitation services were expanded to include an employment counsellor.

In summary, during 1987 the Administration Department worked towards a goal to provide WCB clients with a high quality compensation staff providing an effective and responsible service to our clients.



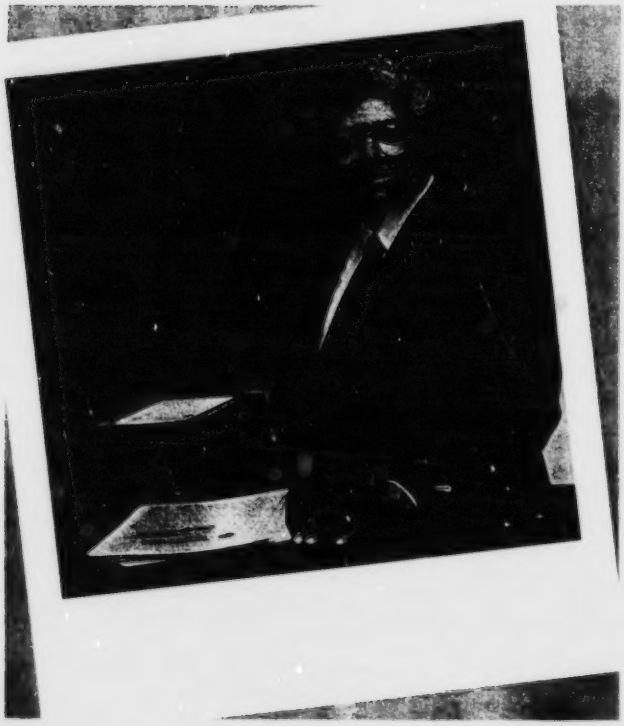
From left to right:

J. H. Cottenden
Director, Administration

Patricia Leslie
Human Resource Assistant

PUBLIC AFFAIRS

Public Affairs is responsible for the development and delivery of an effective external and internal communications strategy, media relations, visual identity and acts as liaison between the Board and its stakeholders.



A. Bruce Collins
Director of
Public Affairs

During 1987, Public Affairs introduced a new logo for the Workers' Compensation Board of Nova Scotia and integrated the logo design into an aggressive visual identity program which resulted in the redesign and re-writing of most forms in use by the Board, new client specific brochures and enhanced information packages.

Public Affairs provided advertising support services for the Employers Incentive Program, the Adjudicator Awareness Program, the Staff Appreciation Program and a variety of WCB initiatives.

This division provides public relations and research support services to the Management Team. Public Affairs participated in the development and distribution of a Policy Manual outlining all current policies in use by the Nova Scotia Board.

CompInfo, a news release program designed specifically to improve knowledge amongst the public about the Board, its goals and objectives and the range of services provided to Workers' Compensation clients in Nova Scotia, was introduced in 1987.

The Director of Public Affairs acts as the public spokesperson for the Nova Scotia Board. During 1987 the number of requests for WCB speakers increased dramatically over the previous year. Public Affairs actively pursues these opportunities to the benefit of the Board and its stakeholders.

During 1988 Public Affairs will:
- survey employers to determine support for a Back Education program
- continue to improve and expand the Board's information programs and policies
- enhance the visual identity program
- develop an expanded internal policy and research role within the Board's administrative structure
- support human resource information strategies
- exploit public speaking opportunities
- publish internal and external newsletters

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

COMMENTARY ON FINANCIAL STATEMENTS

The commentary is designed to assist the reader in understanding the content and significance of the Financial Statements and accompanying notes.

Statement 1

BALANCE SHEET

The Balance Sheet gives an accounting of the Board's financial position at December 31st, 1987. Assets refer to those resources or properties owned by the Board, or owed to the Board by others. They include cash and investments, building and equipment plus various accounts receivable.

Liabilities include amounts owed to others due to day-to- day operations (accounts payable) and an actuarial estimate of the amounts to be paid in future years for existing claimants.

The Reserves refer to several funds which have been established to defray specific costs. Unappropriated Surplus refers to the excess of assessments over claims costs available for future years.

Statement 2

OPERATIONS AND UNAPPROPRIATED SURPLUS

The Income Statement summarizes the Board's operating activity for the year. Income consists of assessment income from employers and interest earned on both short and long term investments.

Expenses represent costs incurred for compensation and medical aid claims plus administrative costs for the year.

Appropriations show the amounts set aside to fund the costs of pension payments and to help to relieve any excessive claim costs due to disaster situations.

The excess or deficiency of income over expenses and appropriations is added to, or deducted from the unappropriated surplus.

Appropriations to the Pension and other Reserves indicate those amounts set aside in individual funds for specific purposes. (*See Note 6*)

Statement 3

RESERVE FUNDS

The statement of Reserve Funds shows the continuity of operations of the various reserves established for specific purposes. Additions include those amounts transferred in which are necessary to provide funds for future operations plus an allocation of interest revenue.

Deductions include any payments made out of the fund and miscellaneous transfers and adjustments. The closing balance represents the funds available to provide for future payments from these reserves.

Statement 4

CHANGES IN FINANCIAL POSITION

This statement sets out all the sources of funds and the uses to which those funds were put during the year. The statement shows the net change in cash and cash equivalents (short-term investments) for 1987 due to operating and investing activities.

Schedule 1

ADMINISTRATION EXPENSES

This schedule gives the details of the major types of administrative expense on a comparative basis. Also shown are the totals of administration expenses charged to the Occupational Health and Safety Division and to the Appeal Board.

Schedule 2

SELF-INSURER ACCOUNTS RECEIVABLE

Self-insurers claims are paid by the Board on behalf of the employer on a cost recovery basis. This statement gives an accounting of the year's activity for these self-insurers and the closing balance in their accounts.

AUDITOR'S REPORT

To the Members of the Board

We have examined the balance sheet of the Workers' Compensation Board of Nova Scotia as at December 31, 1987, and the statements of operations and unappropriated surplus, reserve funds and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly include such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Board as at December 31, 1987, and the results of its operations and the changes in its financial position for the year then ended, in accordance with the accounting principles set out in the notes to the financial statements, applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Chartered Accountants
Halifax, Nova Scotia
September 9, 1988

Statement 1

BALANCE SHEET

as at December 31, 1987
(The accompanying notes are an integral part of these financial statements)

R. J. Allen
Chairman and
General Manager

James H. Vaughan
Commissioner

C. Gregory Hicks
Commissioner
Resigned Dec. 31, 1987

C. Burton Coutts
Vice Chairman
Retired April 30, 1988

	1987	1986
ASSETS		
Cash and short-term investments	**$ 42,095,058**	$ 10,296,299
Assessments receivable (*Note 2*)	**2,584,382**	2,859,957
Accounts receivable	**183,346**	260,522
Interest receivable	**3,897,270**	3,426,059
Long-term investments	**113,701,237**	131,872,441
Market value *(1987)* 115,900,000 *(1986)* 139,600,000		
Fixed assets (*Note 3*)	**1,441,787**	1,361,863
	$163,903,080	$150,077,141
LIABILITIES AND RESERVES		
Accounts payable	**$ 950,920**	$ 74,610
Outstanding claims (*Note 4*)	**33,918,753**	46,500,929
Reserves (*Note 5 and Statement 3*)	**126,361,584**	101,363,429
Unappropriated surplus	**2,671,823**	2,138,173
	$163,903,080	$150,077,141

Approved on Behalf of the Board of Commissioners

Chairman

Commissioner

Statement 2

OPERATIONS AND UNAPPROPRIATED SURPLUS

for the year ended December 31, 1987
(The accompanying notes are an integral part of these financial statements)

	1987	1986
Income		
Assessments		
General Industry	$49,657,773	$42,529,662
Self-Insurers	21,115,238	19,584,720
Net Investment Income	15,486,468	14,921,149
Miscellaneous revenue	15,016	54,444
	86,274,495	77,089,975
Expenditures		
Compensation	23,877,333	31,378,481
Medical aid	13,865,130	9,266,591
Administration *(Schedule 1)*	6,380,040	5,777,974
	44,122,503	46,423,046
Income before appropriations	42,151,992	30,666,929
Appropriations to reserves *(Note 5)*		
Pensions	15,019,525	15,824,954
Staff pensions	20,402	141,182
Consumer Price Indexing	26,578,415	14,048,631
Contingent	—	49,972
	41,618,342	30,064,739
Excess of income over expenses and appropriations	533,650	602,190
Unappropriated surplus at beginning of year	2,138,173	1,535,983
Unappropriated surplus at end of year	$ 2,671,823	$ 2,138,173

Statement 3

RESERVE FUNDS

for the year ended December 31, 1987
(The accompanying notes are an integral part of these financial statements)

	Consumer Price Indexing	*Disaster*	*Staff Pensions*	*Pensions*	*Total*
Balance at beginning of year	$20,198,084	$7,681,063	$277,780	$73,206,502	$101,363,429
Additions					
Transferred in	25,585,228	—	—	9,297,485	34,882,713
Interest	993,187	—	20,402	5,722,040	6,735,629
	26,578,415	—	20,402	15,019,525	41,618,342
Deduction					
Payments	7,783,245	—	45,526	8,791,415	16,620,187
Balance at end of year	$38,993,254	$7,681,063	$252,656	$79,434,612	$126,361,584

Statement 4

CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1987
(The accompanying notes are an integral part of these financial statements)

	1987	1986
Cash from operating activities		
Excess of income over expenses and appropriations	**$ 533,650**	$ 602,190
Add: Items not requiring cash — depreciation	**203,557**	172,577
— amortization	**—**	411
	737,207	775,178
Decrease in net non-cash operating assets	**13,173,828**	8,578,393
	13,911,035	9,353,571
Cash for investing activities		
Decrease (Increase) in long-term investments	**18,171,204**	(9,996,322)
Purchase of equipment	**283,480**	(398,457)
	17,887,724	(10,394,779)
Increase (decrease) in cash and short-term investments during the year	**31,798,759**	(1,041,208)
Cash and short-term investments at beginning of year	**10,296,299**	11,337,507
Cash and short-term investment at end of year	**$ 42,095,058**	$ 10,296,299

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1987

1. SIGNIFICANT ACCOUNTING POLICIES

a) **INVESTMENTS**
Long-term investments are recorded at cost at the time of acquisition.

b) **FIXED ASSETS**
Fixed assets are stated at cost, less accumulated depreciation. Depreciation is charged at a declining-balance rate of 30% for all assets except the building. The building is being depreciated on a straight-line basis over 40 years.

c) **SELF-INSURERS**
Self-insurers are charged for claims paid on their behalf on a cash recovery basis.

d) **ASSESSMENTS RECEIVABLE**
Assessments receivable and assessment income include an adjustment estimated to be required when all employers' payroll audits have been completed and final assessments have been made.

e) **APPROPRIATIONS**
All assessment income and interest income is initially disclosed in the income statement. This income is then allocated to the various reserve funds based on fund balances and activity and/or statutory requirements (Statement 3).

2. ASSESSMENTS RECEIVABLE

	1987	1986
Assessments receivable (net)	$ 646,233	$1,550,880
Add: Estimated adjustments	477,534	402,957
Receivable from self-insurers *(Schedule 2)*	1,577,477	1,119,049
	2,701,244	3,072,886
Deduct: Allowance for doubtful accounts	116,862	212,929
	$2,584,382	$2,859,957

3. FIXED ASSETS

	Cost	*Depreciation*	*Accumulated Depreciation*	*Net Book Value*
Land	$ 154,764	$ —	$ —	$ 154,764
Building	1,345,620	33,641	457,708	887,912
Office Furniture and equipment	523,091	58,044	389,256	133,835
Office and accounting equipment	422,840	91,805	210,774	212,066
Automobiles	—	3,410	—	—
Data processing and computer equipment	835,018	16,657	781,808	53,210
	$3,281,333	$203,557	$1,839,546	$1,441,787

4. Outstanding Claims — Compensation and Medical Aid

The outstanding claims represent estimates of the costs to meet future compensation and medical aid claims outstanding as at December 31, 1987. These include unfinalized claims in process, unreported accidents, and additional costs which may arise in future years with respect to prior years' claims.

During 1987, the Board's actuaries undertook a review of the estimated liability on outstanding claims. As a result of that review, it was determined our estimate in 1987 could be decreased by an amount of $12,582,176. This decrease in the liability for outstanding claims has been applied to reduce the estimated actuarial deficiency in the Consumer Price Indexing Reserve, as explained in Note 5(b).

5. Reserves

Reserves have been established and funded by appropriations from general operating funds for the following purposes:

a) **Pension**
For pension awards to surviving spouses and children and to permanently disabled workers, whether totally or partially disabled, reserves are set aside at the then present value of all payments to be made to the pensioner through his or her lifetime as computed from actuarial tables. These reserves are not available for any other purpose.

b) **Consumer Price Indexing**
A statutory amendment to the Act in 1973 provided for increases in pension payments based on changes in the Consumer Price Index and indexing these payments became effective January 1, 1975. Following an actuarial review of reserve requirement in 1980, an amount was released from the Pension Reserve to provide for future increases in pension payments due to increases in the Consumer Price Index. Since that time, all such increases have been paid from the Consumer Price Indexing Reserves.

During 1986, an actuarial valuation was performed to determine the adequacy of both the Pension Reserve and the Consumer Price Indexing Reserve. As a result of that valuation, it was determined that the Pension Reserve as at December 31, 1986 of $73,206,502 was adequate to provide basic pension benefits to current pensioners before taking into account the effect of Consumer Price Indexing requirements; however, it was further determined that the Consumer Price Indexing Reserve as at December 31, 1986 was inadequate to provide for the escalation of pension payments, by an estimated deficiency of $44,967,619, due to estimates of future increases in the Consumer Price Index.

During 1987, an amount of $9,297,485, representing the capitalized value of pensions awarded, was transferred to the Pension Reserve to ensure its continued adequacy. In addition, the Board was able to significantly reduce the estimated actuarial deficiency in the Consumer Price Indexing Reserve. This was due to an actuarially calculated decrease in the requirement for outstanding claims, as explained in Note 4. The amount which was thereby released from this obligation of $12,582,176 was applied to the Reserve, along with an amount of $13,003,052 from current revenues, to further reduce the previously reported deficiency. The remaining deficiency is not reflected in these financial statements.

c) **Disaster**
This reserve is established to relieve industries for excessive claim costs due to fatal incidents or other extraordinary circumstances.

d) **Staff Pensions**
This reserve account provides for the portion of those employees' pensions which are not paid from the Provincial Superannuation Fund.

Schedule 1

ADMINISTRATION EXPENSES

for the year ended December 31, 1987

	1987	1986
Salaries	$3,164,901	$2,818,182
Employee benefits	420,783	359,122
Travel	202,030	139,204
Professional fees	178,278	141,977
Staff severance	36,966	172,112
Building operation and maintenance	109,620	104,235
Claimant's general expense	23,053	18,432
Insurance	4,855	8,931
Maintenance of office equipment	90,547	13,856
Postage	186,338	191,011
Printing, stationery and supplies	243,065	138,749
Rental of data-processing equipment	32,231	60,598
Rental of premises	36,386	36,498
Taxes — municipal	115,258	118,415
Telephone and telegraph	105,154	96,969
Advertising and safety promotion	65,716	—
Services contracted	16,187	—
Reserve for doubtful accounts	39,974	143,170
Depreciation — furniture and equipment	169,916	138,936
— building	33,641	33,641
Miscellaneous	71,303	85,227
	5,346,202	4,819,265
Occupational Health & Safety	750,000	703,329
Workers' Compensation Appeal Board	283,838	255,380
Total	$6,380,040	$5,777,974

Schedule 2

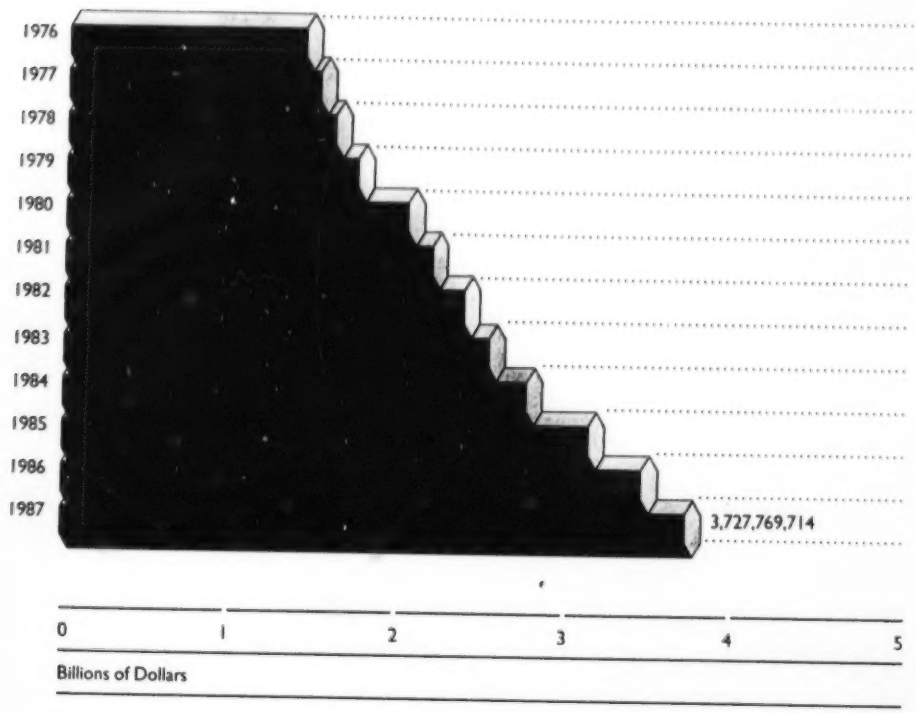
SELF-INSURER ACCOUNTS RECEIVABLE

for the year ended December 31, 1987

	Government of Canada	*Canadian National Railways*	*Province of Nova Scotia*	*Cape Breton Development Corporation*	*Totals*
Balance at beginning of year	$ 86,065	$ 75,049	$ 91,480	$ 866,455	$ 1,119,049
Cash Received	(2,448,849)	(1,085,132)	(1,670,364)	(14,402,303)	(19,606,648)
Claim costs and charges	2,369,787	1,185,626	1,800,522	14,709,141	20,065,076
Balance at end of year *(Note 2)*	$ 7,003	$ 175,543	$ 221,638	$ 1,173,293	$ 1,577,477

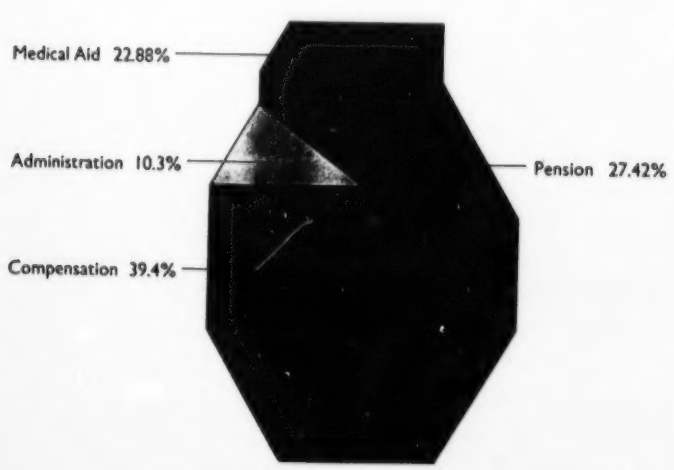
PAYROLLS ON WHICH ASSESSMENT PREMIUMS WERE PAID

Total Claims Processed



DISTRIBUTION OF EXPENDITURE In 1987

Total Cost ($60,606,648)



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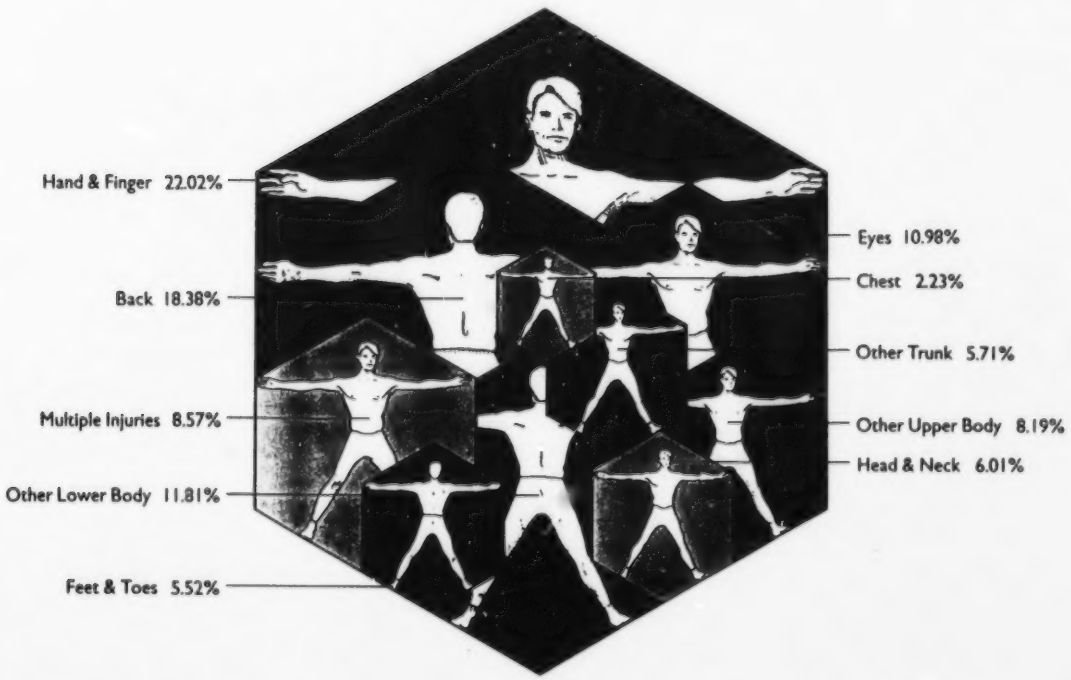
ACCIDENTS BY REGION OF INJURY In 1987

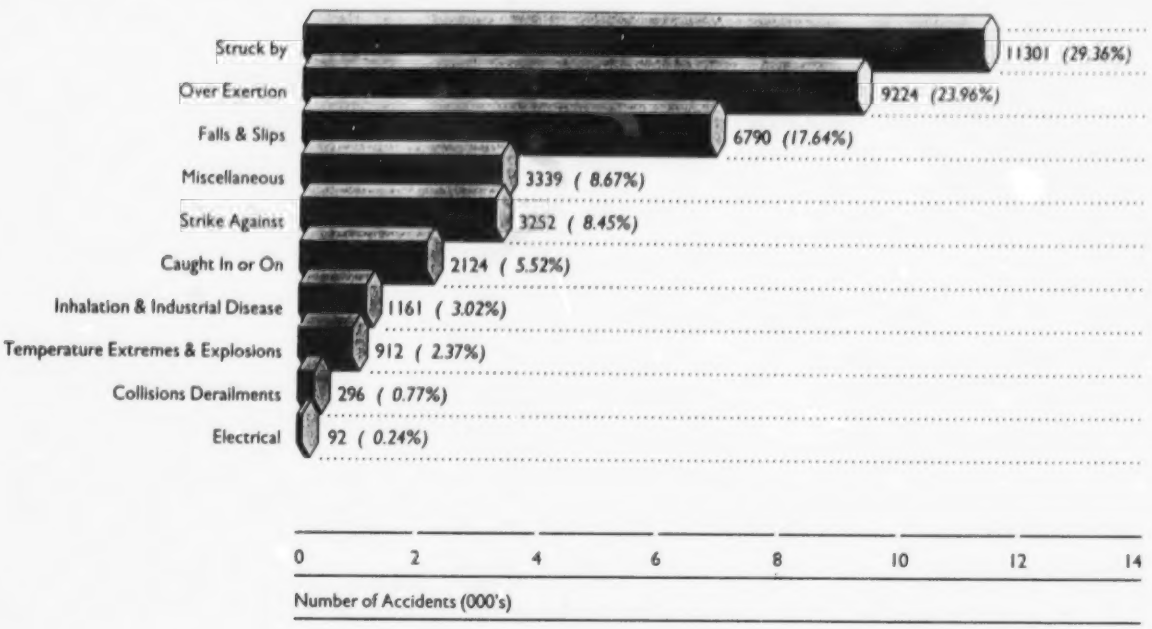
Total Claims Processed

Region	*Number of Claims*	*% of Total Claim*
Hand & Finger	8476	22.02%
Back	7074	18.38%
Other Lower Body	4547	11.81%
Eyes	4226	10.98%
Multiple Injuries	3300	8.57%
Other Upper Body	3152	8.19%
Head & Neck	2314	6.01%
Other Trunk	2199	5.71%
Feet & Toes	2125	5.52%
Chest	856	2.23%
Miscellaneous	222	0.58%
	38491	100.00



CAUSES OF INJURIES In 1987

Total Claims Processed (38491)



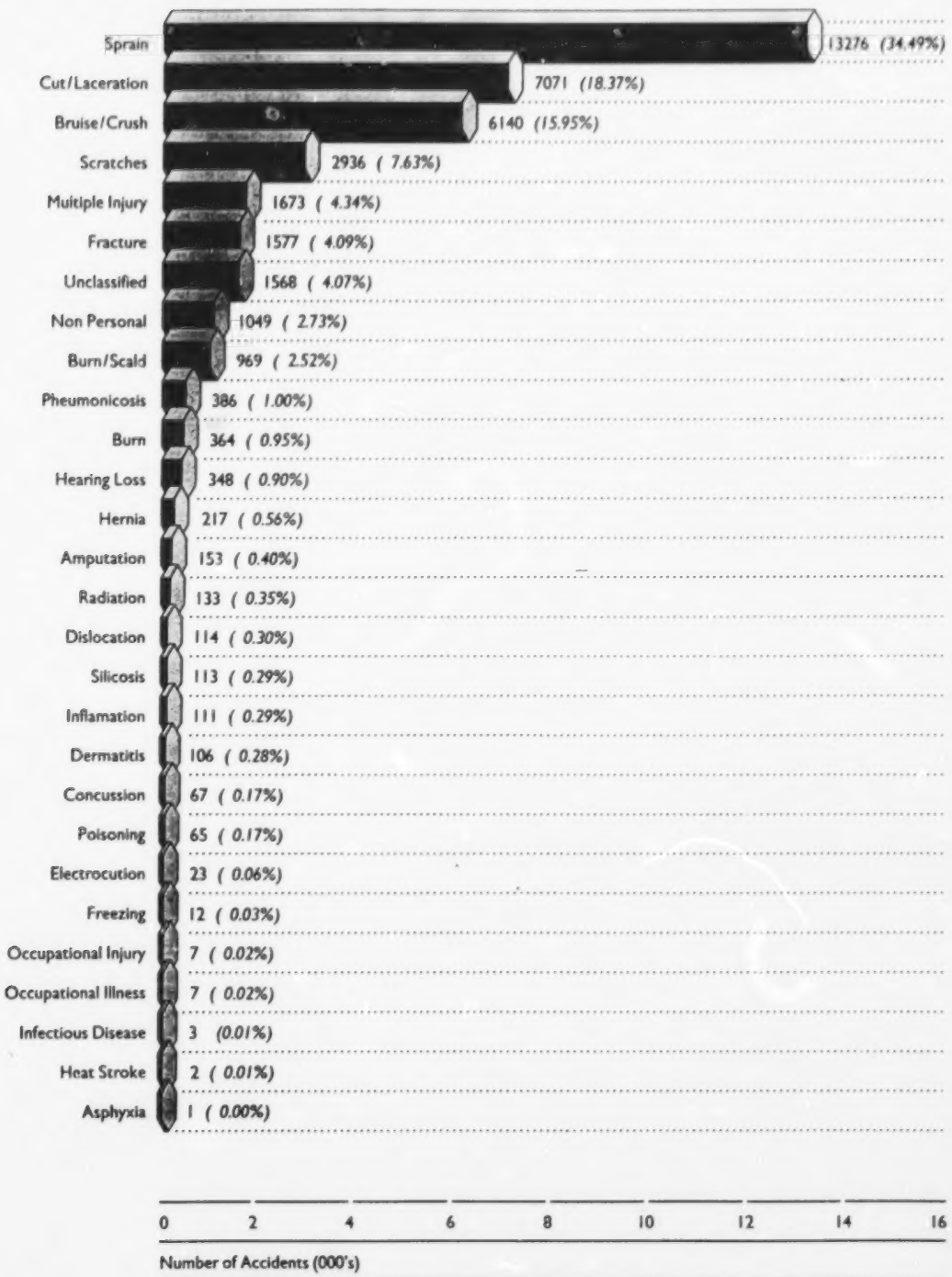
ACCIDENTS BY CLASS OF INJURY In 1987

New Claims Filed

Class	Fatal	Permanent Disability	Temporary Disability	Medical Aid Only	Non Compensable	Total
1	0	3	111	197	32	343
2	1	0	283	133	35	452
3	1	7	936	991	107	2042
4	0	6	1367	2377	315	4065
5	1	11	621	1193	87	1913
6	0	9	1715	2055	258	4037
7	2	10	1581	1906	291	3790
8	0	4	1448	2310	222	3984
9	2	7	1326	2199	216	3750
	7	57	9388	13361	1563	24376
Self-Insurers	0	47	1611	2102	1171	4931
	7	104	10999	15463	2734	29307

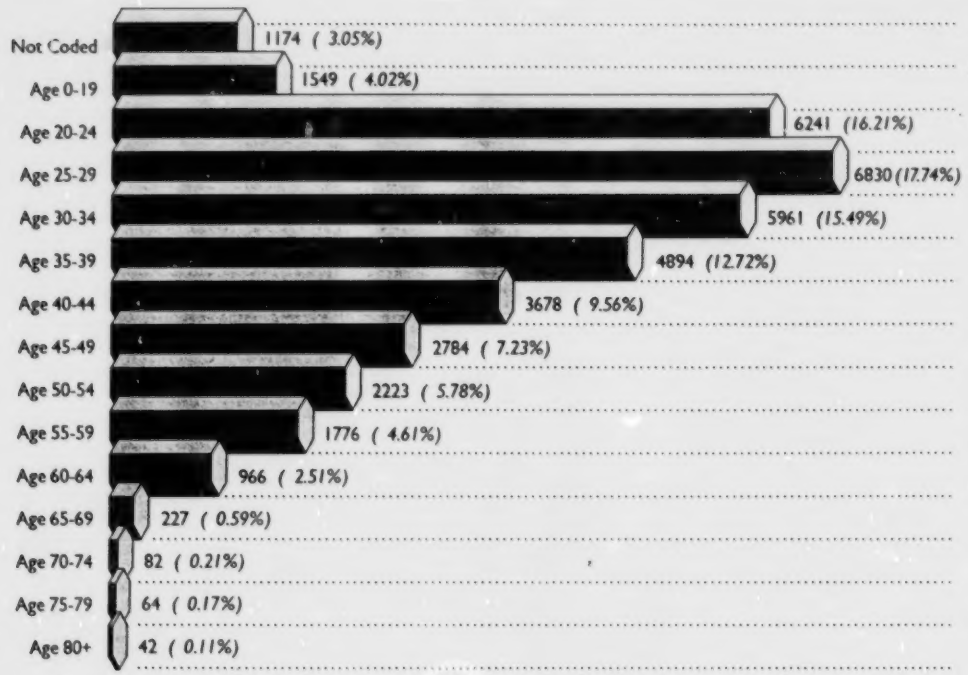
NATURE OF INJURIES In 1987

Total Claims Processed



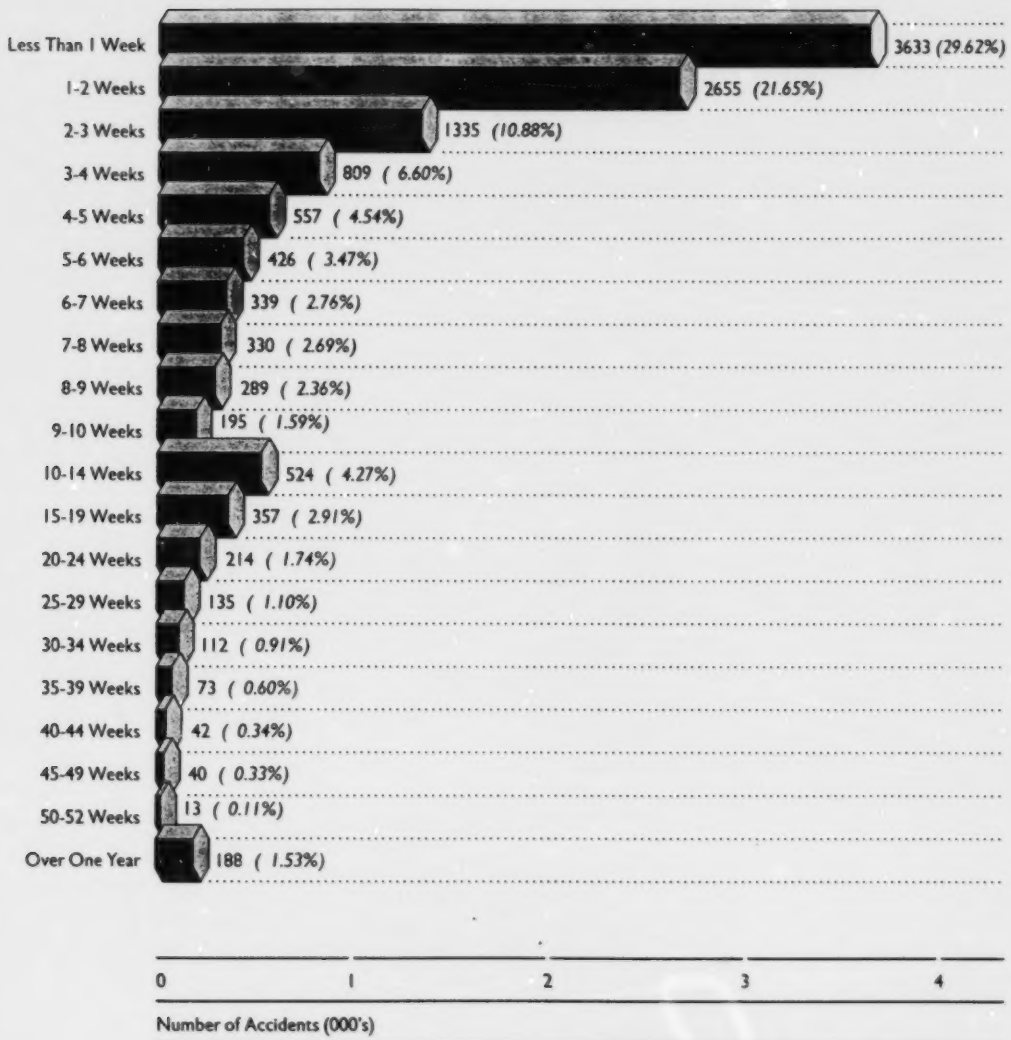
ACCIDENTS BY AGE OF EMPLOYEE In 1987

Total Claims Processed



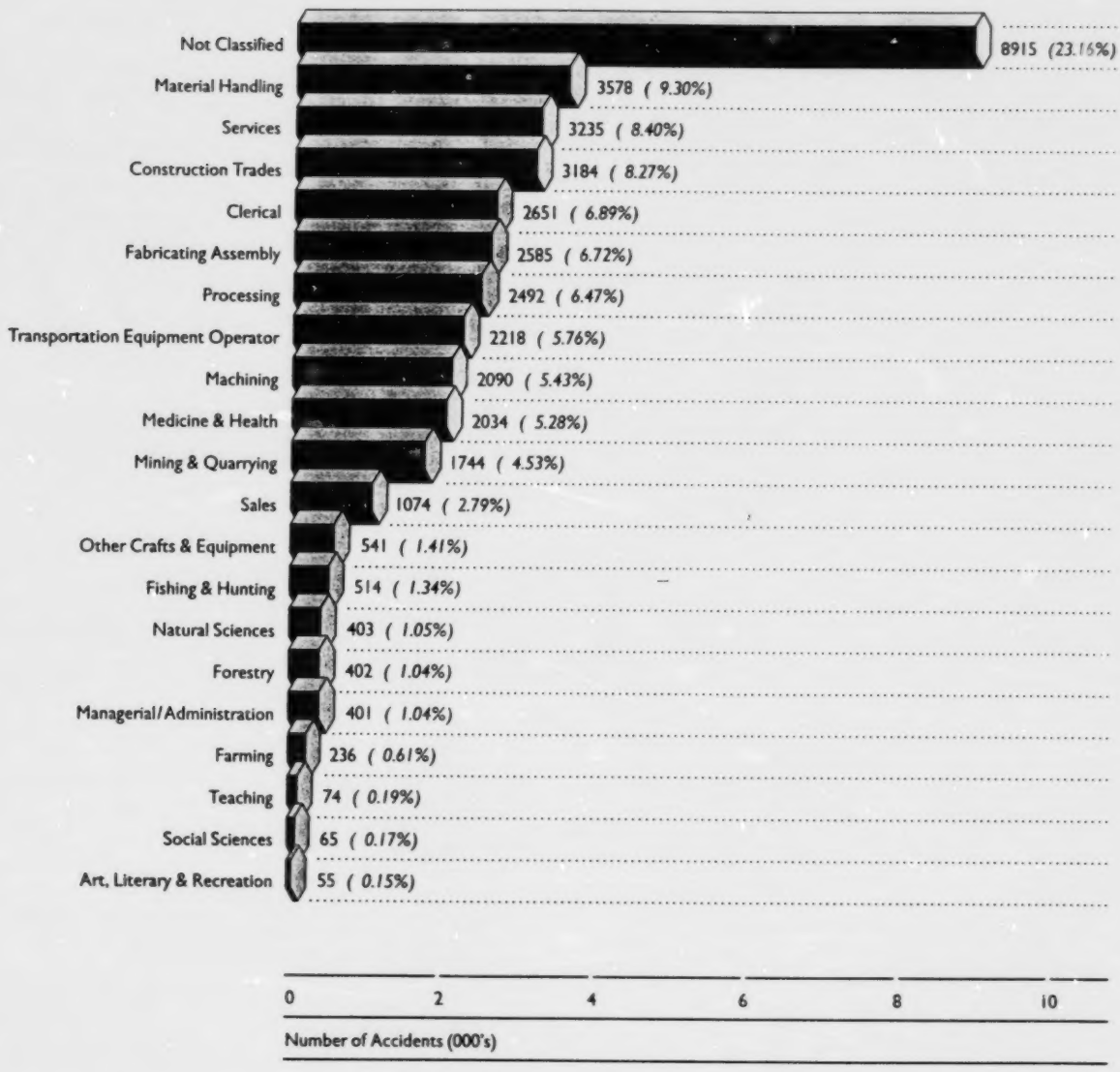
DURATION OF CLAIMS In 1987

Total Claims Processed



CLAIMS BY OCCUPATION In 1987

Total Claims Processed



Accident Occurance by County In 1987

Total Claims Processed